

## The complaint

Mrs S complains that UK Credit Limited irresponsibly provided her with an unaffordable loan.

## What happened

Mrs S was given a loan by UK Credit. She applied for the loan in June 2015, for £5000 and agreed to repay £201.06 a month over 42 months. The total repayable if the loan went to full term would be £8444.52.

I issued a provisional decision on this complaint in October 2021. Both parties have received a copy of that provisional decision, but for completeness I include an extract from the decision below. I said;

*“UK Credit gathered some information from Mrs S before it agreed to the loan. It asked her for details of her income and her expenditure. It says it then checked Mrs S’s credit file to determine how much she was paying to other lenders. And it asked Mrs S to provide a bank statement so it could verify her income.*

*UK Credit made an assessment of Mrs S’s disposable income and the likelihood that she would be able to repay the loan. It used verified income and then expenditure that Mrs S declared to it on the phone. It did this by going through a credit search with Mrs S during the phone call and then asking further questions about her expenditure.*

*I can see why UK Credit would think the loan repayment would be affordable based on what it had calculated. But I don’t think its checks were proportionate and I think it should have gathered more information than it did. I say this because in the credit search it had carried out and had in front of it, it would have seen Mrs S had made late payments on a mail order account and had an outstanding balance to repay on an account that had defaulted. I agree with our investigator, that UK Credit didn’t ask enough questions about these impaired accounts and accepted Mrs S’s answer when she said she was unaware of any defaults or problems. It didn’t act on the information it had in front of it. When I consider this alongside the amount Mrs S was looking to borrow and also the term of the loan, I think UK Credit should have done more.*

*I would have expected UK Credit to conduct a complete review of Mrs S’s finances to ascertain whether she would be able to sustainably make the repayments. So, I think, as well as verifying her income, UK Credit should have also looked to verify Mrs S’s expenditure within the bank statements that it had gathered rather than relying on declared information from Mrs S. This is so it could assure itself of Mrs S’s true financial position and that she could make the repayments in a sustainable way.*

*As I can’t see that it did this, I would need to consider what it would have seen if it had carried out further checks. Mrs S has provided our service with her personal bank statements from a period of time of 3 months leading up to the loan application. So, I have been able to review them and look through Mrs S’s expenditure. In doing this I can see that there was no credit impairment on the statements and that Mrs S’s living expenses were roughly in line with UK Credit’s assessment. So, I can see that based on its assessment, Mrs*

*S would have been able to afford the repayments for the loan. And I haven't seen anything within the bank statements provided by Mrs S that would suggest to me that further checks and further verification of her expenditure would make the loan unaffordable. So, I don't think UK Credit irresponsibly agreed to this loan.*

*So, I currently don't think UK Credit was wrong to give the loan to Mrs S based on the circumstances of her complaint."*

I asked both parties to let me have any comments, or additional evidence, in response to my provisional decision. Mrs S did not respond by the deadline given. UK Credit responded and said it had no further comments.

### **What I've decided – and why**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

UK Credit has nothing further to add and Mrs S did not reply. So, as neither party has anything further to add, I don't see any reason to depart from my findings within my provisional decision. With that being the case, I do not uphold this complaint.

### **My final decision**

My final decision is that I do not uphold Mrs S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 21 March 2022.

Mark Richardson  
**Ombudsman**